

# The Economics of Open Source

## **Prosper Australia**

Support equal ownership of natural resources

Private ownership of labour and most capital

Use natural resources as public tax base

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## Definitions

*“[B]ehaviour that arises from the scarcity of means to achieve a given end” (Lionel Robbins)*

Microeconomics (the individual organisation)

Macroeconomics (the economy as a whole)

Public Knowledge (Open Source)

Restricted Knowledge (Proprietary)

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## **Monopolies**

Single sellers, No close substitutes, Price Makers,  
Blocked Entry

Example of Micro and Macro Effects

Land is “the mother of all monopolies” (Winston  
Churchill)

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## **Competitive Markets**

Many buyers and sellers (atomic), Many substitutes,  
Price Takers, No Barriers,  
Total Information  
Productive and Allocative Efficiency

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## Software Patents

Microeconomic and Macroeconomic Perspectives

### The Incentive Argument

"There are some new modern-day sort of communists who want to get rid of the incentive for musicians and moviemakers and software makers under various guises. They don't think that those incentives should exist... I'd be the first to say that the patent system can always be tuned...the United States has led...because we've had the best intellectual-property system."

(Bill Gates, 2005)

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## Software Copyright

### Microeconomic and Macroeconomic Perspectives

#### The Incentive Argument

“the law's role is less and less to support creativity, and more and more to protect certain industries against competition. Just at the time digital technology could unleash an extraordinary range of commercial and noncommercial creativity, the law burdens this creativity with insanely complex and vague rules and with the threat of obscenely severe penalties.”

-- Lawrence Lessig, Free Culture

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## Role of Antitrust Legislation and Alternatives

Bid Rigging, Predatory Pricing, Price Fixing, Tying,  
Vendor Lock-In

The Microsoft Antitrust Suit  
“Public Incentive” alternative

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